

HOUSE BILL REPORT

HB 2925

As Reported by House Committee On:
Local Government & Housing

Title: An act relating to impact payments of a municipally owned hydroelectric facility.

Brief Description: Concerning impact payments of a municipally owned hydroelectric facility.

Sponsors: Representatives Kretz, Short and Condotta.

Brief History:

Committee Activity:

Local Government & Housing: 1/28/10, 2/1/10 [DP].

Brief Summary of Bill

- Requires certain cities and municipally-owned utilities that have hydroelectric or other electricity generating projects located in another county to provide financial compensation for negative impacts upon county revenues and the public welfare resulting from such generating facilities or projects.

HOUSE COMMITTEE ON LOCAL GOVERNMENT & HOUSING

Majority Report: Do pass. Signed by 7 members: Representatives Simpson, Chair; Angel, Ranking Minority Member; Fagan, Miloscia, Short, Upthegrove and Williams.

Minority Report: Do not pass. Signed by 3 members: Representatives Nelson, Vice Chair; Springer and White.

Staff: Thamas Osborn (786-7129).

Background:

A city that owns and operates a public utility with electricity generating facilities located in another county *may* provide financial assistance to that county to compensate for the financial and social impacts of such facility on the affected community. The city and county are authorized to enter into contracts for the provision of such compensation.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

After March 17, 1955, if a city either constructs hydroelectric facilities or acquires land for that purpose in another county and the hydroelectric project has impacts that negatively affect county revenues, transportation, public welfare, or local school districts, then the city must enter into a financial compensation agreement with the county and/or the affected school districts.

Summary of Bill:

A city with a population greater than 500,000 that owns and operates a public utility with electricity generating facilities in another county must provide financial compensation to that county, the municipalities within that county, and local school districts, so as to compensate for the impacts of the generating facility that negatively affect local revenues, public welfare, and/or the school districts.

After March 17, 1955, a municipal utility located in a city with a population exceeding 500,000 and that has hydroelectric facilities located in another county, or that acquires land in another county for the development of such facilities, must provide financial compensation to the affected county. The compensation must be paid annually pursuant to an agreement between the municipal utility and the county. The compensation agreement must either provide for the reimbursement of the county for actual financial losses resulting from the hydroelectric project or must provide for financial compensation equal to 7 percent of the annual utility taxes paid by the municipal utility.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) Hydroelectric and other electricity generating projects owned by big cities, but located in remote rural counties, have significant negative impacts on the finances and social welfare of the host county. The disparity between large cities and rural areas with respect to financial and political power is profound, hence rural counties are greatly disadvantaged regarding compensation negotiations. Pend Oreille County (county) is in exactly this sort of disadvantaged position when it comes to receiving compensation from Seattle City Light (SCL). The presence of SCL facilities in the county are a great financial and social burden. Compensation payments from SCL make up approximately 10 percent of county revenues, yet the county has not received any payments since 2008. This has had significant negative impacts on school funding. Compensation offers from SCL have been far too low, which has resulted in the breakdown of negotiations. Under current law, the county has little or no leverage to obtain a new, equitable payment agreement. Seattle City Light should not be allowed to have discretionary power over the amount of compensation that should be paid.

The provisions of the bill represent an important first step in giving the county greater power to negotiate fair and timely compensation agreements. Current law is vague and the bill would eliminate uncertainties regarding the compensation negotiation process. The statutes governing this process need to be amended so as to reduce the discretionary authority of SCL regarding compensation payments.

(Opposed) This bill is simply not necessary insofar as SCL has been doing its best to negotiate in good faith with the county. It should be recognized that the City of Seattle has economic problems that make it difficult to provide the level of compensation sought by the county. Seattle City Light has record of making generous payments to the county for many decades and is making every effort to continue to do so. While SCL recognizes the problems faced by the county, it must endeavor to reach an agreement that is also fair to the city and its ratepayers. The county has turned down a generous compensation offer and wants more than SCL can afford to give. Furthermore, the county already obtains benefits from the presence SCL facilities such as good paying jobs and cheap electric rates.

Persons Testifying: (In support) Representative Kretz, prime sponsor; Laura Merrill, Pend Oreille County; and Nancy Lotze, Selkirk School District.

(Opposed) Tim Gugerty, City of Seattle; Jackie Kirn and Mike Haines, Seattle City Light; and Paul W. Locke.

Persons Signed In To Testify But Not Testifying: None.